

## Message Text

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PAGE 01 BONN 01573 280403Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 INT-05 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02  
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 ITC-01 GSA-01 L-03  
H-01 SS-15 NSC-05 NEA-10 /104 W  
-----280411Z 080024 /71/42

P R 271248Z JAN 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC PRIORITY 5097  
INFO AMEMBASSY PARIS  
AMEMBASSY DUBLIN  
AMEMBASSY COPENHAGEN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION OECD PARIS  
USMISSION EC BRUSSELS  
USMISSION GENEVA  
USDEL MTN GENEVA

C O N F I D E N T I A L BONN 01573

C O R R E C T E D C O P Y FOR PORT OF TEXG MISSING

E.O. 11542: GDS  
TAGS: EEC, ETRD, EMIN  
SUBJECT: STATE OF PLAY WITHIN EC ON SPECIALTY STEEL  
QUOTAS AND PHOSPHATE IMPORTS

REF: (A) STATE 15416; (B) EC BRUSSELS 783

1. SUMMARY. ECONOMICS MINISTRY TRADE POLICY OFFICIAL  
WHO REPRESENTS FRG AT 113 COMMITTEE DEPUTY MEETINGS  
(KUEHN) REVIEWED STATE OF PLAY ON STEEL, PHOSPHATES,  
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AND MFA WITH EMBOFF ON JANUARY 26. SPECIALTY STEEL  
QUOTAS COULD VERY QUICKLY BECOME A POLITICAL ISSUE,  
FOR QUOTAS ARE RUNNING OUT AND FRANCE AND BELGIUM ARE  
PRESSING FOR EC RETALIATION. MEMBER STATES ARE LIKELY  
TO AGREE IN PRINCIPLE ON JANUARY 28 TO SET UP A  
SURVEILLANCE SYSTEM FOR PHOSPHATE IMPORTS. FRG SHARES  
U.S. CONCERN THAT RENEGOTIATION OF MFA WOULD PUT

PRESENT SYSTEM IN JEOPARDY, BUT BELIEVES THAT MFA MUST BE MORE STRICTLY ENFORCED AND THAT SOME SORT OF INTERPRETATION IS NEEDED WHICH HIGHLIGHTS ELEMENTS OF AGREEMENT THAT ALREADY EXIST (SEE SEPTEL ON MFA). END SUMMARY.

2. STEEL. FRG IS RELIEVED THAT PROCEEDINGS IN COURT CASE CONCERNING VAT HAVE BEEN POSTPONED. HOWEVER, IMPACT OF SPECIALTY STEEL QUOTAS ON EC EXPORTS HAS BECOME A MATTER OF GREAT CONCERN, ACCORDING TO KUEHN. THE FRG AND COMMISSION HAVE BEEN MODERATING ELEMENTS WITHIN THE COMMUNITY, BUT IT IS BECOMING VERY DIFFICULT TO KEEP THIS MATTER UNDER CONTROL. WITH ANNUAL QUOTAS RUNNING OUT FOR A NUMBER OF ITEMS, THE U.S. CONTROLS ARE BEGINNING TO HAVE A REAL IMPACT. FRANCE AND BELGIUM IN PARTICULAR ARE PRESSING FOR RETALIATORY ACTION BY THE COMMUNITY; THUS THIS COULD VERY QUICKLY BECOME A POLITICAL ISSUE. KUEHN REALIZED THAT SITUATION OF U.S. STEEL INDUSTRY REMAINS SERIOUS, BUT ASKED WHETHER SOME GESTURE COULD BE MADE IN PROVIDING A DEGREE OF RELIEF TO THE EC. EMBOFF INFORMED KUEHN OF PROGRESS MADE IN U.S. EFFORTS TO TERMINATE THE IMPORT QUOTA FOR BEARING STEEL (REF A), BUT KUEHN INDICATED THAT IT IS STILL NOT CLEAR WHAT THE OUTCOME WILL BE OF THESE EFFORTS.

3. PHOSPHATES. REF B RECEIVED AFTER DISCUSSION WITH KUEHN, WHO HAD TAKEN OCCASION OF EMBOFF'S CALL TO WARN THAT EC IS ABOUT TO AGREE ON A COMMUNITY SURVEILLANCE CONFIDENTIAL

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SYSTEM. FRG HAD OPPOSED FRENCH PROPOSAL ON JANUARY 20 AND 21, BUT IS NOW PREPARED TO AGREE TO A SURVEILLANCE SYSTEM LIMITED TO PHOSPHATE IMPORTS INTO FRANCE, ITALY AND IRELAND. FRAU STEEG PLANS TO ATTEND JANUARY 28 MEETING OF 113 COMMITTEE, AND KUEHN EXPECTS THAT DECISION IN PRINCIPLE TO MOVE AHEAD WITH SURVEILLANCE SYSTEM WILL BE TAKEN AT THAT TIME. FRAU STEEG PLANS TO REQUEST MORE FLEXIBILITY IN POSITION OF OTHER EC MEMBERS CONCERNING MFA RENEWAL AS QUID PRO QUO FOR GERMAN SUPPORT FOR PHOSPHATES SURVEILLANCE SYSTEM.

4. KUEHN EXPLAINED THAT EC INTEREST IN A SURVEILLANCE SYSTEM IS PROMPTED BY VERY SHARP RECENT INCREASE IN U.S. AND TUNISIANS SHARE OF FRENCH, ITALIAN, AND IRISH MARKETS. WITH THE FRENCH PRESSING HARD FOR EMERGENCY ACTION, THE FRG HAS DECIDED TO SUPPORT A SURVEILLANCE SYSTEM AS A COMPROMISE WHICH AVOIDS IMPORT RESTRICTIONS. THIS SURVEILLANCE WILL GIVE A CLEARER PICTURE OF THE

SITUATION, AND MIGHT INDEED SHOW THAT COMMUNITY  
MARKETS ARE NOT BADLY DAMAGED BY THESE INCREASED  
IMPORTS. KUEHN INDICATED THAT THIS SUDDEN INCREASE  
OF PHOSPHATE SHIPMENTS WAS PUZZLING, AND HE THOUGHT  
IT WOULD HELP IF THE USG COULD GIVE THE EC INFORMATION  
EXPLAINING REASONS FOR INCREASED U.S. EXPORTS. KUEHN  
SAID THAT FRG (AND EC) ARE NOW SATISFIED THAT DOUBLE  
PRICING IS NOT THE ISSUE.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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